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H. R. 3114

[Report No. 105-]

To authorize United States participation in a quota increase and the New Arrangements to Borrow of the International Monetary Fund, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1998

Mr. LEACH (for himself, Mr. LAFALCE, Mrs. ROUKEMA, Mr. VENTO, Mr. HINCHEY, and Mr. JACKSON of Illinois) introduced the following bill; which was referred to the Committee on Banking and Financial Services

MARCH , 1998

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on January 27, 1998]

A BILL

To authorize United States participation in a quota increase and the New Arrangements to Borrow of the International Monetary Fund, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 *This Act may be cited as the “International Monetary*
3 *Fund Reform and Authorization Act of 1998”.*

4 **SEC. 2. FINDINGS.**

5 *The Congress finds that—*

6 *(1) the International Monetary Fund (IMF) was*
7 *conceived at Bretton Woods, New Hampshire, to pro-*
8 *mote a sound and open world economy and a stable*
9 *international financial system;*

10 *(2) while the international financial system has*
11 *evolved significantly since the IMF was founded fifty*
12 *years ago, its core mission remains focused on provid-*
13 *ing advice on macroeconomic and exchange rate pol-*
14 *icy and highly conditional financial assistance, in-*
15 *cluding appropriate economic and governance re-*
16 *forms, to countries facing balance of payments or li-*
17 *quidity problems;*

18 *(3) the IMF includes elements in structural ad-*
19 *justment programs that affect industrial and labor*
20 *policies, which have profound social and political*
21 *ramifications;*

22 *(4) the IMF has intervened in financial markets*
23 *in situations of extreme uncertainty and crisis to re-*
24 *store investor and lender confidence, which may result*
25 *in partially relieving such lenders and investors of the*

1 *negative consequences of imprudent lending and in-*
2 *vestment decisions;*

3 *(5) the expanded conditionality which accom-*
4 *panies IMF funding has profound domestic con-*
5 *sequences in the United States;*

6 *(6) the United States, as the leading power of the*
7 *post-cold-war world, has a greater interest than any*
8 *other country in a strengthened IMF that*
9 *multilateralizes the financial support for ongoing eco-*
10 *nomic reforms in countries important to United*
11 *States interests and that can respond to threats to the*
12 *international financial system so that the United*
13 *States does not end up serving as the world's lender*
14 *of last resort;*

15 *(7) the United States is the only country with*
16 *veto power over major IMF decisions;*

17 *(8) to sustain its capabilities, the IMF needs to*
18 *sustain its strength relative to a rapidly expanding*
19 *global economy characterized by exponential growth of*
20 *global capital markets;*

21 *(9) the United States financial commitment to*
22 *the IMF leverages several times as much from other*
23 *countries, and its general resource financing is not*
24 *scored as a budgetary outlay;*

1 (10) the ongoing currency and banking crisis in
2 the Far East has affected United States financial
3 markets and may result in a decline in United States
4 economic growth by as much as one and one-half per-
5 cent, and the United States has a vested economic
6 and national security interest in utilizing the IMF
7 and other multilateral mechanisms to help stabilize
8 certain Asian economies;

9 (11) neither the IMF nor the international fi-
10 nancial system predicted or was adequately prepared
11 for the domestic financial instability that has devel-
12 oped in East Asia, particularly the excessive short-
13 term borrowing the private sector institutions, and
14 therefore significant reforms of the IMF and the inter-
15 national financial system are needed to ensure that
16 the world is better prepared to prevent and cope with
17 similar crises;

18 (12) the United States also has an interest in
19 not contributing to “moral hazard”, the belief by pri-
20 vate investors and lenders that public credit will be
21 used to bail them out of the consequences of impru-
22 dent credit decisions;

23 (13) in establishing the terms for its financial
24 support, the IMF must strike a balance between con-
25 tributing to the stability of the Asian economies and

1 *ensuring that the private creditors who contributed to*
2 *the crisis by their imprudent lending also make a sig-*
3 *nificant contribution to the resolution of such crisis;*
4 *and*

5 *(14) with respect to some East Asian countries,*
6 *some observers believe that—*

7 *(A) the IMF has often imposed tight mone-*
8 *tary and fiscal policies designed for countries in*
9 *other parts of the world that follow excessively*
10 *expansionary fiscal and monetary policies, de-*
11 *spite the fact that, by the IMF's own account, the*
12 *monetary and fiscal policies of the East Asian*
13 *countries have not contributed to the financial*
14 *difficulties faced by such countries;*

15 *(B) the rationale for such strategy has been*
16 *the need to attract foreign capital and provide*
17 *the means to earn foreign exchange;*

18 *(C) in the absence of solutions to the short*
19 *term debt overhang problem which requires a*
20 *rollover of such short term maturities by private*
21 *creditors, and to the unfettered flow of capital*
22 *into and out of markets without regard to matu-*
23 *rities or purpose, as an integral part of the IMF*
24 *program, no interest rate is high enough to at-*
25 *tract such capital;*

(D) a tight monetary and fiscal austerity program, combined with industrial restructuring and labor market flexibility measures where they are also a part of an IMF program, may excessively depress the local economy, creating potentially explosive social and political problems;

(E) such a strategy could also create excessive pressure to export and reduce imports, eroding support in the United States for a more open international trading and investment regime, as export markets collapse and a flood of imports puts downward pressure on U.S. wages and employment; and

(F) there is a consequent need for the IMF, other international financial institutions, the United States, and other countries, as appropriate, to fashion programs and policies that are adapted to local conditions and integrate private creditor contributions.

TITLE I—INTERNATIONAL MONETARY FUND

SEC. 101. PARTICIPATION IN QUOTA INCREASE.

(a) *IN GENERAL.*—The Bretton Woods Agreements Act (22 U.S.C. 286–286mm) is amended by adding at the end the following:

1 ***“SEC. 61. QUOTA INCREASE.***

2 “(a) *IN GENERAL.*—*The United States Governor of the*
3 *Fund may consent to an increase in the quota of the United*
4 *States in the Fund equivalent to 10,622,500,000 Special*
5 *Drawing Rights.*

6 “(b) *SUBJECT TO APPROPRIATIONS.*—*The authority*
7 *provided by subsection (a) shall be effective only to such*
8 *extent or in such amounts as are provided in advance in*
9 *appropriations Acts.”.*

10 (b) *EFFECTIVENESS SUBJECT TO CERTIFICATION.*—
11 *The amendment made by subsection (a) shall not take effect*
12 *until the Secretary of the Treasury certifies to the Commit-*
13 *tee on Banking and Financial Services of the House of Rep-*
14 *resentatives and the Committee on Foreign Relations of the*
15 *Senate that the investors and banks make a significant con-*
16 *tribution in conjunction with a financing package that, in*
17 *the context of an international financial crisis, might in-*
18 *clude taxpayer supported official financing.*

19 ***TITLE II—NEW ARRANGEMENTS***
20 ***TO BORROW***

21 ***SEC. 201. NEW ARRANGEMENTS TO BORROW.***

22 (a) *IN GENERAL.*—*Section 17 of the Bretton Woods*
23 *Agreements Act (22 U.S.C. 286e–2 et seq.) is amended—*

24 (1) *in subsection (a)—*

1 (A) by striking “and February 24, 1983”
 2 and inserting “February 24, 1983, and January
 3 27, 1997”; and

4 (B) by striking “4,250,000,000” and insert-
 5 ing “6,712,000,000”;

6 (2) in subsection (b), by striking “4,250,000,000”
 7 and inserting “6,712,000,000”; and

8 (3) in subsection (d)—

9 (A) by inserting “or the Decision of Janu-
 10 ary 27, 1997,” after “February 24, 1983,”; and

11 (B) by inserting “or the New Arrangements
 12 to Borrow, as applicable” before the period at the
 13 end.

14 (b) *EFFECTIVENESS SUBJECT TO CERTIFICATION.*—

15 *The amendments made by subsection (a) shall not take effect*
 16 *until the Secretary of the Treasury certifies to the Commit-*
 17 *tee on Banking and Financial Services of the House of Rep-*
 18 *resentatives and the Committee on Foreign Relations of the*
 19 *Senate that the investors and banks make a significant con-*
 20 *tribution in conjunction with a financing package that, in*
 21 *the context of an international financial crisis, might in-*
 22 *clude taxpayer supported official financing.*

1 ***TITLE III—POLICY PROVISIONS***

2 ***SEC. 301. ADVOCACY OF POLICIES TO ENHANCE THE GEN-***
 3 ***ERAL EFFECTIVENESS OF THE INTER-***
 4 ***NATIONAL MONETARY FUND.***

5 (a) *IN GENERAL.*—*Title XV of the International Fi-*
 6 *nancial Institutions Act (22 U.S.C. 2620–2620-1) is amend-*
 7 *ed by adding at the end the following:*

8 ***“SEC. 1503. ADVOCACY OF POLICIES TO ENHANCE THE GEN-***
 9 ***ERAL EFFECTIVENESS OF THE INTER-***
 10 ***NATIONAL MONETARY FUND.***

11 “(a) *IN GENERAL.*—*The Secretary of the Treasury*
 12 *shall instruct the United States Executive Director of the*
 13 *International Monetary Fund to use aggressively the voice*
 14 *and vote of the Executive Director to do the following:*

15 “(1) *Vigorously promote policies to increase the*
 16 *effectiveness of the International Monetary Fund in*
 17 *structuring programs and assistance so as to promote*
 18 *policies and actions that will contribute to exchange*
 19 *rate stability and avoid competitive devaluations that*
 20 *will further destabilize the international financial*
 21 *and trading systems.*

22 “(2) *Vigorously promote policies to increase the*
 23 *effectiveness of the International Monetary Fund in*
 24 *promoting market-oriented reform, trade liberaliza-*

1 *tion, economic growth, democratic governance, and*
2 *social stability through—*

3 *“(A) appropriate liberalization of pricing,*
4 *trade, investment, and exchange rate regimes of*
5 *countries to open countries to the competitive*
6 *forces of the global economy;*

7 *“(B) opening domestic markets to fair and*
8 *open internal competition among domestic enter-*
9 *prises by eliminating inappropriate favoritism*
10 *for small or large businesses, eliminating elite*
11 *monopolies, creating and effectively implement-*
12 *ing anti-trust and anti-monopoly laws to protect*
13 *free competition, and establishing fair and acces-*
14 *sible legal procedures for dispute settlement*
15 *among domestic enterprises;*

16 *“(C) privatizing industry in a fair and eq-*
17 *uitable manner that provides economic opportu-*
18 *nities to a broad spectrum of the population,*
19 *eliminating government and elite monopolies,*
20 *closing loss-making enterprises, and reducing*
21 *government control over the factors of produc-*
22 *tion;*

23 *“(D) economic deregulation by eliminating*
24 *inefficient and overly burdensome regulations*
25 *and strengthening the legal framework support-*

1 *ing private contract and intellectual property*
2 *rights;*

3 *“(E) establishing or strengthening key ele-*
4 *ments of a social safety net to cushion the effects*
5 *on workers of unemployment and dislocation;*
6 *and*

7 *“(F) encouraging the opening of markets for*
8 *agricultural commodities and products by re-*
9 *quiring recipient countries to make efforts to re-*
10 *duce trade barriers.*

11 *“(3) Vigorously promote policies to increase the*
12 *effectiveness of the International Monetary Fund, in*
13 *concert with appropriate international authorities*
14 *and other international financial institutions (as de-*
15 *finied in section 1701(c)(2)), in strengthening finan-*
16 *cial systems in developing countries, and encouraging*
17 *the adoption of sound banking principles and prac-*
18 *tices, including the development of laws and regula-*
19 *tions that will help to ensure that domestic financial*
20 *institutions meet strong standards regarding capital*
21 *reserves, regulatory oversight, and transparency.*

22 *“(4) Vigorously promote policies to increase the*
23 *effectiveness of the International Monetary Fund, in*
24 *concert with appropriate international authorities*
25 *and other international financial institutions (as de-*

1 *defined in section 1701(c)(2)), in facilitating the devel-*
2 *opment and implementation of internationally ac-*
3 *ceptable domestic bankruptcy laws and regulations in*
4 *developing countries, including the provision of tech-*
5 *nical assistance as appropriate.*

6 *“(5) Vigorously promote policies that aim at ap-*
7 *propriate burden-sharing by the private sector so that*
8 *investors and creditors bear more fully the con-*
9 *sequences of their decisions, and accordingly advocate*
10 *policies which include—*

11 *“(A) strengthening crisis prevention and*
12 *early warning signals through improved and*
13 *more effective surveillance of the national eco-*
14 *nomie policies and financial market development*
15 *of countries (including monitoring of the struc-*
16 *ture and volume of capital flows to identify*
17 *problematic imbalances in the inflow of short*
18 *and medium term investment capital, poten-*
19 *tially destabilizing inflows of offshore lending*
20 *and foreign investment, or problems with the*
21 *maturity profiles of capital to provide warnings*
22 *of imminent economic instability), and fuller*
23 *disclosure of such information to market partici-*
24 *pants;*

1 “(B) accelerating work on strengthening fi-
2 nancial systems in emerging market economies
3 so as to reduce the risk of financial crises;

4 “(C) consideration of provisions in debt
5 contracts that would foster dialogue and con-
6 sultation between a sovereign debtor and its pri-
7 vate creditors, and among those creditors;

8 “(D) consideration of extending the scope of
9 the International Monetary Fund’s policy on
10 lending to members in arrears and of other poli-
11 cies so as to foster the dialogue and consultation
12 referred to in subparagraph (C);

13 “(E) intensified consideration of mecha-
14 nisms to facilitate orderly workout mechanisms
15 for countries experiencing debt or liquidity cri-
16 ses;

17 “(F) consideration of establishing ad hoc or
18 formal linkages between the provision of official
19 financing to countries experiencing a financial
20 crisis and the willingness of market participants
21 to meaningfully participate in any stabilization
22 effort led by the International Monetary Fund;

23 “(G) using the International Monetary
24 Fund to facilitate discussions between debtors
25 and private creditors to help ensure that finan-

1 *cial difficulties are resolved without inappropri-*
2 *ate resort to public resources;*

3 *“(H) the International Monetary Fund ac-*
4 *companying the provision of funding to coun-*
5 *tries experiencing a financial crisis resulting*
6 *from imprudent borrowing with efforts to achieve*
7 *a significant contribution by the private credi-*
8 *tors, investors, and banks which had extended*
9 *such credits; and*

10 *“(I) in the context of International Mone-*
11 *tary Fund responses to international financial*
12 *crises, vigorously promote consideration of ap-*
13 *propriate ways in which debtors and private*
14 *creditors, in consultation with central banks, can*
15 *be encouraged voluntarily to take steps to achieve*
16 *resolution of outstanding debts, and to do so in*
17 *a manner that provides for an appropriate de-*
18 *gree of burden-sharing.*

19 *“(6) Vigorously promote policies that would*
20 *make the International Monetary Fund a more effec-*
21 *tive mechanism, in concert with appropriate inter-*
22 *national authorities and other international financial*
23 *institutions (as defined in section 1701(c)(2)), for*
24 *promoting good governance principles within recipi-*
25 *ent countries by fostering structural reforms, includ-*

1 *ing procurement reform, that reduce opportunities for*
2 *corruption and bribery, and drug-related money*
3 *laundering.*

4 “(7) Vigorously promote the design of Inter-
5 *national Monetary Fund programs and assistance so*
6 *that governments that draw on the International*
7 *Monetary Fund channel public funds away from un-*
8 *productive purposes, including large ‘show case’*
9 *projects and excessive military spending, and toward*
10 *investment in human and physical capital as well as*
11 *social programs to protect the neediest and promote*
12 *social equity.*

13 “(8) Work with the International Monetary
14 *Fund to foster economic prescriptions that are appro-*
15 *priate to the individual economic circumstances of*
16 *each recipient country, recognizing that inappropriate*
17 *stabilization programs may only serve to further*
18 *destabilize the economy and create unnecessary eco-*
19 *nomie, social, and political dislocation.*

20 “(9) Structure International Monetary Fund
21 *programs and assistance so that the maintenance and*
22 *improvement of core labor standards are routinely in-*
23 *corporated as an integral goal in the policy dialogue*
24 *with recipient countries, so that—*

1 “(A) recipient governments commit to af-
2 fording workers the right to exercise internation-
3 ally recognized core worker rights, including the
4 right of free association and collective bargaining
5 through unions of their own choosing;

6 “(B) measures designed to facilitate labor
7 market flexibility are consistent with such core
8 worker rights;

9 “(C) the staff of the International Monetary
10 Fund adequately takes into account the views of
11 the International Labor Organization, particu-
12 larly with respect to the effect of labor market
13 flexibility measures on core worker rights in such
14 countries; and

15 “(D) the staff of the International Monetary
16 Fund surveys the labor market policies and
17 practices of recipient countries and recommends
18 policy initiatives that will help to ensure the
19 maintenance or improvement of core labor stand-
20 ards.

21 “(10) Vigorously promote the adoption and en-
22 forcement of laws promoting respect for internation-
23 ally recognized worker rights (as defined in section
24 507(4) of the Trade Act of 1974 (19 U.S.C. 2467(4))).

1 “(11) Vigorously promote International Mone-
2 tary Fund programs and assistance that are struc-
3 tured to the maximum extent feasible to discourage
4 practices which may promote ethnic or social strife in
5 a recipient country.

6 “(12) Vigorously promote recognition by the
7 International Monetary Fund that macroeconomic de-
8 velopments and policies can affect and be affected by
9 environmental conditions and policies, including by
10 working independently and with the multilateral de-
11 velopment banks to encourage countries to correct
12 market failures and pursue macroeconomic stability
13 while promoting policies for sustainable development
14 and environmental protection.

15 “(13) Facilitate greater International Monetary
16 Fund transparency, including by enhancing acces-
17 sibility of the International Monetary Fund and its
18 staff, fostering a more open release policy toward
19 working papers, past evaluations, and other Inter-
20 national Monetary Fund documents, seeking to pub-
21 lish all Letters of Intent to the International Mone-
22 tary Fund and Policy Framework Papers, and estab-
23 lishing a more open release policy regarding Article
24 IV consultations.

1 “(14) *Facilitate greater International Monetary*
2 *Fund accountability and enhance International Mon-*
3 *etary Fund self-evaluation by vigorously promoting*
4 *review of the effectiveness of the Office of Internal*
5 *Audit and Inspection and the Executive Board’s ex-*
6 *ternal evaluation pilot program and, if necessary, the*
7 *establishment of an operations evaluation department*
8 *modeled on the experience of the International Bank*
9 *for Reconstruction and Development, guided by such*
10 *key principles as usefulness, credibility, transparency,*
11 *and independence.*

12 “(15) *Vigorously promote coordination with the*
13 *International Bank for Reconstruction and Develop-*
14 *ment and other international financial institutions*
15 *(as defined in section 1701(c)(2)) in promoting struc-*
16 *tural reforms which facilitate the provision of credit*
17 *to small businesses, including microenterprise lend-*
18 *ing, especially in the world’s poorest, heavily indebted*
19 *countries.*

20 “(16) *Vigorously promote, in the context of the*
21 *International Monetary Fund’s policy dialogue with*
22 *its member countries, measures to protect the rights*
23 *and land of indigenous peoples, including the Penan*
24 *of Borneo, Malaysia, the Dayaks of East Kalimantan,*

1 *Indonesia, and the indigenous communities of Irian*
 2 *Jaya, Indonesia.*

3 “(17) Vigorously promote policies such that the
 4 *International Monetary Fund, in considering loan*
 5 *programs and assistance, takes into account the ex-*
 6 *tent to which the recipient government has dem-*
 7 *onstrated a commitment to—*

8 “(A) providing accurate and complete data
 9 *on the annual expenditures and receipts of the*
 10 *armed forces;*

11 “(B) establishing good and publicly ac-
 12 *countable governance, including an end to exces-*
 13 *sive military involvement in the economy; and*

14 “(C) making substantial reductions in ex-
 15 *cessive military spending and forces, including*
 16 *domestic security forces.*

17 “(18) Structure International Monetary Fund
 18 *debt relief programs so that the programs do not im-*
 19 *pose unfair conditions on heavily indebted poor coun-*
 20 *tries, increase the amount of debt relief available to*
 21 *poor countries, and decrease the time required to*
 22 *qualify for debt relief.*

23 “(b) COORDINATION WITH OTHER EXECUTIVE DE-
 24 *PARTMENTS.—To the extent that it would assist in achiev-*
 25 *ing the goals described in subsection (a), the Secretary of*

1 *the Treasury shall pursue the goals in coordination with*
 2 *the Secretary of State, the Secretary of Labor, the Secretary*
 3 *of Commerce, the Administrator of the Environmental Pro-*
 4 *tection Agency, the Administrator of the Agency for Inter-*
 5 *national Development, and the United States Trade Rep-*
 6 *resentative.”.*

7 **(b) ADVISORY COMMITTEE ON IMF POLICY.**—Section
 8 *1701 of such Act (22 U.S.C. 262p–5) is amended by adding*
 9 *at the end the following:*

10 **“(e) ADVISORY COMMITTEE ON IMF POLICY.**—

11 **“(1) IN GENERAL.**—*The Secretary of the Treas-*
 12 *ury shall establish an International Monetary Fund*
 13 *Advisory Committee (in this subsection referred to as*
 14 *the ‘Advisory Committee’).*

15 **“(2) MEMBERSHIP.**—*The Advisory Committee*
 16 *shall consist of 8 members appointed by the Secretary*
 17 *of the Treasury, after appropriate consultations with*
 18 *the relevant organizations, as follows:*

19 **“(A)** *2 members shall be representatives*
 20 *from organized labor.*

21 **“(B)** *2 members shall be representatives*
 22 *from banking and financial services.*

23 **“(C)** *2 members shall be representatives*
 24 *from industry and agriculture.*

1 “(D) 2 members shall be representatives
2 from nongovernmental environmental and
3 human rights organizations.

4 “(3) DUTIES.—Not less frequently than every 6
5 months, the Advisory Committee shall meet with the
6 Secretary of the Treasury or the Deputy Secretary of
7 the Treasury to review, and provide advice on, the ex-
8 tent to which individual country International Mone-
9 tary Fund programs meet the policy goals set forth in
10 this Act regarding the International Monetary Fund.

11 “(4) INAPPLICABILITY OF TERMINATION PROVI-
12 SION OF THE FEDERAL ADVISORY COMMITTEE ACT.—
13 Section 14(a)(2) of the Federal Advisory Committee
14 Act shall not apply to the Advisory Committee.”.

15 **SEC. 302. AVAILABILITY OF INTERNATIONAL MONETARY**
16 **FUND LETTERS OF INTENT REGARDING**
17 **AGREEMENTS REQUIRED IN ORDER TO RE-**
18 **CEIVE ASSISTANCE.**

19 Title XV of the International Financial Institutions
20 Act (22 U.S.C. 2620–2620-1) is further amended by adding
21 at the end the following:

1 ***“SEC. 1504. AVAILABILITY OF INTERNATIONAL MONETARY***
2 ***FUND LETTERS OF INTENT REGARDING***
3 ***AGREEMENTS REQUIRED IN ORDER TO RE-***
4 ***CEIVE ASSISTANCE.***

5 *“Within 3 business days after the United States Execu-*
6 *tive Director at the International Monetary Fund receives*
7 *a letter of intent from a country regarding structural ad-*
8 *justment or an economic, social, or other agreement re-*
9 *quired by the Fund in order to receive assistance from the*
10 *Fund, the Executive Director shall provide to the Secretary*
11 *of the Treasury a copy of the letter and any related memo-*
12 *randum of understanding. Within 7 days after receiving*
13 *the copy, the Secretary of the Treasury shall make the copy*
14 *available to the public (by electronic or other readily and*
15 *publicly accessible means) except to the extent that the Sec-*
16 *retary determines that doing so would—*

17 *“(1) endanger the national security of the coun-*
18 *try or of the United States;*

19 *“(2) disrupt markets; or*

20 *“(3) be contrary to the obligations of the United*
21 *States as a member of the International Monetary*
22 *Fund.”.*

1 **SEC. 303. ENFORCEMENT OF INDONESIAN COMPLIANCE**
2 **WITH REFORMS REQUIRED BY THE INTER-**
3 **NATIONAL MONETARY FUND.**

4 *The Secretary of the Treasury shall certify to the Com-*
5 *mittee on Banking and Financial Services of the House of*
6 *Representatives and the Committee on Foreign Relations of*
7 *the Senate that the United States Executive Director at the*
8 *International Monetary Fund will oppose further disburse-*
9 *ments of funds to Indonesia unless the Indonesian govern-*
10 *ment complies with the terms of its International Monetary*
11 *Fund reform package.*

12 **SEC. 304. SENSE OF THE CONGRESS ON THE TREATMENT**
13 **OF MUCHTAR PAKPAHAN.**

14 *It is the sense of the Congress that the Government of*
15 *Indonesia should immediately release Muchtar Pakpahan*
16 *from prison and have all criminal charges against him dis-*
17 *missed.*

18 **SEC. 305. SENSE OF THE CONGRESS ON THE ROLE OF**
19 **JAPAN IN RESTORING REGIONAL AND GLOB-**
20 **AL ECONOMIC GROWTH.**

21 *(a) FINDING.—The Congress finds that deteriorating*
22 *economic conditions and ongoing financial market turbu-*
23 *lence in Asia makes it more important than ever that*
24 *Japan play a leadership role in helping to restore con-*
25 *fidence and serve as a crucial engine of regional and world*
26 *economic growth.*

1 (b) *SENSE OF THE CONGRESS.*—*It is the sense of the*
 2 *Congress that Japan should assume a greater regional lead-*
 3 *ership role, which would coincide with Japan’s goal of pro-*
 4 *moting strong domestic demand-led growth and avoiding*
 5 *a significant increase in its external surplus with the Unit-*
 6 *ed States and the countries of the Asia-Pacific region.*

7 ***TITLE IV—REPORTS***

8 ***SEC. 401. SEMIANNUAL REPORTS ON FINANCIAL STABILIZA-***
 9 ***TION PROGRAMS LED BY THE INTER-***
 10 ***NATIONAL MONETARY FUND IN CONNECTION***
 11 ***WITH FINANCING FROM THE EXCHANGE STA-***
 12 ***BILIZATION FUND.***

13 *Title XVII of the International Financial Institutions*
 14 *Act (22 U.S.C. 262r–262r-2) is amended by adding at the*
 15 *end the following:*

16 ***“SEC. 1704. REPORTS ON FINANCIAL STABILIZATION PRO-***
 17 ***GRAMS LED BY THE INTERNATIONAL MONE-***
 18 ***TARY FUND IN CONNECTION WITH FINANC-***
 19 ***ING FROM THE EXCHANGE STABILIZATION***
 20 ***FUND.***

21 ***“(a) IN GENERAL.***—*The Secretary of the Treasury, in*
 22 *consultation with the Secretary of Commerce and other ap-*
 23 *propriate Federal agencies, shall prepare reports on the im-*
 24 *plementation of financial stabilization programs led by the*
 25 *International Monetary Fund in countries in connection*

1 *with which the United States has made a commitment to*
2 *provide, or has provided financing from the stabilization*
3 *fund established under section 5302 of title 31, United*
4 *States Code. The reports shall include the following:*

5 “(1) *A description of the condition of the econo-*
6 *mies of countries requiring the financial stabilization*
7 *programs, including the monetary, fiscal, and ex-*
8 *change rate policies of the countries.*

9 “(2) *A description of the degree to which the*
10 *countries requiring the financial stabilization pro-*
11 *grams have fully implemented financial sector re-*
12 *structuring and reform measures required by the*
13 *International Monetary Fund, including—*

14 “(A) *ensuring full respect for the commer-*
15 *cial orientation of commercial bank lending;*

16 “(B) *ensuring that governments will not in-*
17 *tervene in bank management and lending deci-*
18 *sions (except in regard to prudential super-*
19 *vision);*

20 “(C) *the passage of appropriate financial*
21 *reform legislation;*

22 “(D) *strengthening the domestic financial*
23 *system, through financial sector restructuring, as*
24 *well as improved transparency and supervision;*
25 *and*

1 “(E) the opening of domestic capital mar-
2 kets.

3 “(3) A description of the degree to which the
4 countries requiring the financial stabilization pro-
5 grams have fully implemented reforms required by the
6 International Monetary Fund that are directed at
7 corporate governance and corporate structure, includ-
8 ing—

9 “(A) making nontransparent conglomerate
10 practices more transparent through the applica-
11 tion of internationally accepted accounting prac-
12 tices, independent external audits, full disclosure,
13 and provision of consolidated statements; and

14 “(B) ensuring that no government sub-
15 sidized support or tax privileges will be provided
16 to bail out individual corporations, particularly
17 in the semiconductor, steel, and paper industries.

18 “(4) A description of the implementation of re-
19 form measures required by the International Mone-
20 tary Fund to deregulate and privatize economic activ-
21 ity by ending domestic monopolies, undertaking trade
22 liberalization, and opening up restricted areas of the
23 economy to foreign investment and competition.

24 “(5) A detailed description of the trade policies
25 of the countries, including any unfair trade practices

1 or adverse effects of the trade policies on the United
2 States.

3 “(6) A description of the extent to which the fi-
4 nancial stabilization programs have resulted in ap-
5 propriate burden-sharing among private sector credi-
6 tors, including rescheduling of outstanding loans by
7 lengthening maturities, agreements on debt reduction,
8 and the extension of new credit.

9 “(7) A description of the extent to which the eco-
10 nomic adjustment policies of the International Mone-
11 tary Fund and the policies of the government of the
12 country adequately balance the need for financial sta-
13 bilization, economic growth, environmental protec-
14 tion, social stability, and equity for all elements of the
15 society.

16 “(8) Whether International Monetary Fund in-
17 volvement in labor market flexibility measures has
18 had a negative effect on core worker rights, particu-
19 larly the rights of free association and collective bar-
20 gaining.

21 “(9) A description of any pattern of abuses of
22 core worker rights in recipient countries.

23 “(10) The amount, rate of interest, and disburse-
24 ment and repayment schedules of any funds disbursed
25 from the stabilization fund established under section

1 5302 of title 31, United States Code, in the form of
 2 loans, credits, guarantees, or swaps, in support of the
 3 financial stabilization programs.

4 “(11) The amount, rate of interest, and disburse-
 5 ment and repayment schedules of any funds disbursed
 6 by the International Monetary Fund to the countries
 7 in support of the financial stabilization programs.

8 “(b) *TIMING.*—Not later than October 1, 1998, and
 9 semiannually thereafter, the Secretary of the Treasury shall
 10 submit to the Committees on Banking and Financial Serv-
 11 ices and International Relations of the House of Represent-
 12 atives and the Committees on Foreign Relations, and Bank-
 13 ing, Housing, and Urban Affairs of the Senate a report on
 14 the matters described in subsection (a).”.

15 **SEC. 402. REPORTS ON REFORMING THE ARCHITECTURE OF**
 16 **THE INTERNATIONAL FINANCIAL SYSTEM.**

17 (a) *FINDINGS.*—The Congress finds that, in order to
 18 ensure that the International Monetary Fund does not be-
 19 come the global lender of last resort to private sector cor-
 20 porations and financial institutions, and in order to help
 21 prevent future threats to the international financial system,
 22 the Secretary of the Treasury and the Chairman of the
 23 Board of Governors of the Federal Reserve System, working
 24 with their counterparts in other countries and with inter-
 25 national organizations as appropriate, should—

1 (1) *seek to establish a broad set of international*
2 *transparency principles on accounting and disclosure*
3 *policies and practices covering, in particular, private*
4 *sector financial organizations;*

5 (2) *promote improvements in the provision by*
6 *both borrowers and lenders of timely and comprehen-*
7 *sive aggregate information on cross-border financial*
8 *stocks and flows;*

9 (3) *seek an international accord establishing*
10 *uniform minimum standards with respect to robust*
11 *banking and supervisory systems, which individual*
12 *countries should be required to meet as a condition*
13 *for the establishment of subsidiaries, branches, or*
14 *other offices of banking institutions from their coun-*
15 *tries in the jurisdictions of the countries participat-*
16 *ing in the accord;*

17 (4) *immediately initiate with appropriate rep-*
18 *resentatives of the countries that are members of the*
19 *International Monetary Fund discussions aimed at*
20 *securing national treatment for United States inves-*
21 *tors in such countries; and*

22 (5) *seek to establish internationally acceptable*
23 *bankruptcy standards and should work particularly*
24 *to have International Monetary Fund recipient coun-*
25 *tries adopt such standards.*

1 **(b) REPORTS.—**

2 **(1) IN GENERAL.—***The Secretary of the Treasury*
3 *shall prepare 3 reports on progress made toward*
4 *achieving the objectives outlined in subsection (a),*
5 *which shall describe the steps taken by the United*
6 *States, other members of the world community, and*
7 *the international financial institutions to strengthen*
8 *safeguards in the global financial system, including*
9 *measures to promote more efficient functioning of*
10 *global markets, by—*

11 **(A)** *helping to develop effective legal and*
12 *regulatory frameworks, including appropriate*
13 *bankruptcy and foreclosure mechanisms;*

14 **(B)** *increasing transparency and disclosure*
15 *by both the private and public sectors;*

16 **(C)** *strengthening prudential standards,*
17 *both globally and in individual economies;*

18 **(D)** *improving domestic policy manage-*
19 *ment;*

20 **(E)** *strengthening the role of the inter-*
21 *national financial institutions in financial crisis*
22 *prevention and management; and*

23 **(F)** *ensuring appropriate burden sharing by*
24 *the private sector, particularly commercial banks*

1 *and financial institutions, in the resolution of*
 2 *crises.*

3 (2) *TIMING.*—*The Secretary of the Treasury*
 4 *shall submit to the Committees on Banking and Fi-*
 5 *nancial Services and International Relations of the*
 6 *House of Representatives and the Committees on For-*
 7 *ign Relations and Banking, Housing, and Urban Af-*
 8 *fairs of the Senate 2 interim reports on the matters*
 9 *described in paragraph (1), the first of which is due*
 10 *by October 1, 1998, and the second of which is due*
 11 *on April 1, 1999, and a final report on such matters,*
 12 *which is due on October 1, 1999.*

13 ***SEC. 403. ANNUAL REPORT AND TESTIMONY ON THE STATE***
 14 ***OF THE INTERNATIONAL FINANCIAL SYSTEM,***
 15 ***IMF REFORM, AND COMPLIANCE WITH IMF***
 16 ***AGREEMENTS.***

17 *Title XVII of the International Financial Institutions*
 18 *Act (22 U.S.C. 262r–262r-2) is further amended by adding*
 19 *at the end the following:*

20 ***“SEC. 1705. ANNUAL REPORT AND TESTIMONY ON THE***
 21 ***STATE OF THE INTERNATIONAL FINANCIAL***
 22 ***SYSTEM, IMF REFORM, AND COMPLIANCE***
 23 ***WITH IMF AGREEMENTS.***

24 *“(a) REPORTS.*—*Not later than October 1 of each year,*
 25 *the Secretary of the Treasury shall submit to the Committee*

1 *on Banking and Financial Services of the House of Rep-*
 2 *resentatives and the Committee on Foreign Relations of the*
 3 *Senate a written report on the progress (if any) made by*
 4 *the United States Executive Director at the International*
 5 *Monetary Fund in influencing the International Monetary*
 6 *Fund to adopt the policies and reform its internal proce-*
 7 *dures in the manner described in section 1503.*

8 “(b) *TESTIMONY.*—*After submitting the report re-*
 9 *quired by subsection (a) but not later than October 31 of*
 10 *each year, the Secretary of the Treasury shall appear before*
 11 *the Committee on Banking and Financial Services of the*
 12 *House of Representatives and the Committee on Foreign Re-*
 13 *lations of the Senate and present testimony on—*

14 “(1) *any progress made in reforming the Inter-*
 15 *national Monetary Fund;*

16 “(2) *the status of efforts to reform the inter-*
 17 *national financial system; and*

18 “(3) *the compliance of countries which have re-*
 19 *ceived assistance from the International Monetary*
 20 *Fund with agreements made as a condition of receiv-*
 21 *ing the assistance.”.*

1 **SEC. 404. AUDITS OF THE INTERNATIONAL MONETARY**
 2 **FUND.**

3 *Title XVII of the International Financial Institutions*
 4 *Act (22 U.S.C. 262r–262r-2) is further amended by adding*
 5 *at the end the following:*

6 **“SEC. 1706. AUDITS OF THE INTERNATIONAL MONETARY**
 7 **FUND.**

8 “(a) *ACCESS TO MATERIALS.*—Not later than 30 days
 9 after the date of the enactment of this section, the Secretary
 10 of the Treasury shall certify to the Committee on Banking
 11 and Financial Services of the House of Representatives and
 12 the Committee on Foreign Relations of the Senate that the
 13 Secretary has instructed the United States Executive Direc-
 14 tor at the International Monetary Fund to facilitate timely
 15 access by the General Accounting Office to information and
 16 documents of the International Monetary Fund needed by
 17 the Office to perform financial reviews of the International
 18 Monetary Fund that will facilitate the conduct of United
 19 States policy with respect to the Fund.

20 “(b) *REPORTS.*—Not later than June 30, 1999, and
 21 annually thereafter, the Comptroller General of the United
 22 States shall prepare and submit to the committees specified
 23 in subsection (a) a report on the financial operations of
 24 the Fund during the preceding year.”.